

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MASSACHUSETTS

)	
In re)	
)	Chapter 11
ATL MUNICIPAL SALES, LLC,)	Case No.
)	
Debtor)	
)	

**AFFIDAVIT OF CLEMENT G. KILEY IN SUPPORT OF
MOTION OF DEBTOR TO BORROW MONEY ON SECURED BASIS**

I, Clement G. Kiley depose and state as follows:

1. I am the Manager of ATL Municipal Sales, LLC and the President and 50 percent shareholder of Atlantic Broom Service, Inc. I make this affidavit on personal knowledge except as set forth herein.

BACKGROUND

1. The Debtor was formed on October 7, 2021 as a spin-off by Atlantic Broom Service, Inc. (“Atlantic Broom”), which itself is a debtor in Chapter 11 proceedings pending before this Court, docketed as Case No. 22-10173-JEB as part of an overall effort to reorganize Atlantic Broom’s financial affairs, specifically to provide a vehicle to permit financing of the enterprise, without which it was a virtual certainty that Atlantic Broom would not survive, leaving Atlantic Broom’s creditors unpaid.

2. More specifically, Two Diamond Capital Corp. (“Two Diamond”), with which Atlantic Broom had been in litigation since May 2020, held a disputed first-priority security interest in all of Atlantic Broom’s assets and would not consent to a new lender being granted a security interest ahead of it. In that litigation, Atlantic Broom asserted claims of breach of contract, promissory estoppel, fraud and unfair and deceptive trade practices against Two

Diamond as well as its predecessor lender, Diamond Business Credit Corp, f/k/a Business Credit Direct, arising out of their repeated, failed promises to provide Atlantic Broom with additional financing. Attempts to settle the Two Diamond litigation, including a proposed payment of most of its claim (which had been accruing interest and fees at the rate of approximately \$10,000 per month on a \$400,000 principal balance) over a 16-month period of time, were unsuccessful.

3. The Debtor was funded initially from a portion of proceeds from an SBA loan made to Atlantic Broom in September 2021. Upon receipt, these funds were immediately segregated. Most were used in Atlantic Broom's business operations. Atlantic Broom being unable to settle with Two Diamond, it contributed the remaining \$95,000 of the loan proceeds to the establishment of the Debtor.

4. In addition to the capital contribution made by Atlantic Broom, the Debtor borrowed from Brenda Doucette on February 2, 2022 the sum of \$60,000 secured by all of the Debtor's assets. Brenda Doucette is a 50-percent shareholder in Atlantic Broom and serves as Atlantic Broom's vice president, secretary and as a director. The money loaned by her serves as a bridge to the financing sought by this Motion, the funds being used to purchase inventory. Her security interest sits in second position as, in anticipation of the financing that is the subject of this Motion, SouthStar had already filed a UCC financing statement when she loaned the money. As a result, this Motion does not seek to prime Ms. Doucette's security interest.

5. Under the restructuring, all sales are generated through the Debtor, which purchases the material for manufacture by Atlantic Broom into a finished product. An agreement between the Debtor and Atlantic Broom provides for the Debtor to contribute approximately \$60,000 per month to cover its portion of the overhead plus an additional 22 percent of all sales. This restructuring has allowed the enterprise as a whole to generate cash free

and clear of liens and encumbrances, the result being that the enterprise as a whole is now financeable through a grant of a security interest in the Debtor's assets.

THE DEBTOR'S BUSINESS

6. The Debtor sells three products – street sweeping brooms, snow plow blades and highway signs. Its customers are municipalities throughout the Commonwealth of Massachusetts.

7. Prior to the Debtor's formation, Atlantic Broom was able to purchase materials only on a COD basis. Since its formation, the Debtor also has been able to purchase materials only on a COD basis. While the Debtor has had sufficient demand for its product, it has been unable to fulfill orders because it has not had the funds to buy materials to manufacture them.

8. As of the commencement of this case, the Debtor had \$377,562.37 of backorders that it has not been able to fulfill due to lack of funds to purchase materials.

THE DIP FINANCING

9. The DIP financing facility is a combination of an accounts receivable factoring arrangement, whereby money is advanced by SouthStar Financial, LLC ("SouthStar") based on a percentage of accounts receivable generated, and purchase order financing, where, when needed to fulfill a pending order, SouthStar will lend money to permit the Debtor to purchase materials to fulfill the order, which loan functionally would be an advance against that would be advanced under the Factoring Agreement.

10. The proposed financing would allow the Debtor to purchase new materials for fulfillment of orders from funds advanced by SouthStar without it having to await for payment and in those instances where it would require funds to purchase materials to fulfill orders the Purchase Money Financing Agreement would allow that. Because the advances are limited by

the amount of business generated, the amount of the financing, by its nature, is limited to no more than the business that the Debtor can generate.

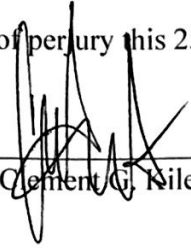
11. The Debtor believes that this loan facility will allow it to generate substantial profits, which will then allow it to fund a plan of reorganization for Atlantic Broom and itself.

12. Attached hereto as Exhibit 1 are preliminary projections of the Debtor's operations for the next 13 weeks, showing that the Debtor will be able to pay all expenses associated with the DIP financing and to be able to operate on a cash-flow positive basis. It is my belief that these projections fairly present the cash flow of the business over this time period, taking into account the amount of backlog, my knowledge of the business and the customers' needs, the cost of goods sold, the turnaround time from ordering materials to shipping product for each of street sweeping brooms, snow plow blades and highway signs, and the payment history of the Debtor's customers. The projections assume that the entirety of the material purchases and the accounts receivable will be financed through SouthStar, albeit, with one limited exception, there is no requirement that the Debtor do so.

13. The Debtor has been unable to obtain financing on more favorable terms. For more than a year prior to the filing of this petition, the Debtor, aided by Michael Schreck of Reserve Capital Group, sought financing first for Atlantic Broom and then for the Debtor. When the Debtor did settle on SouthStar, it took months of negotiations for the Debtor to present to the Court terms, contained in the proposed DIP financing agreements, that would work for the Debtor's business.

14. Without the DIP financing the Debtor eventually will be forced to cease operations. More importantly, without the DIP financing, the Debtor will be unable to provide to Atlantic Broom the funds it will need for continued operation and ultimately to pay its creditors.

Signed under the pains and penalties of perjury this 25th day of April, 2022



Clement G. Rile

Exhibit 1

ASSUMPTIONS

A/R for broom sales created week after material ordered

A/R for plow blade sales and sign sales created 3 weeks after material ordered

All A/R collected 30 days after creation